

**DISTRICT OF COLUMBIA  
TEACHERS' RETIREMENT FUND  
SCHEDULE OF INVESTMENT INFORMATION  
YEAR ENDED SEPTEMBER 30, 2002  
(Unaudited)**

At September 30, 2002, the Fund's investments were maintained under a master trust agreement along with assets of the District of Columbia Police Officers and Fire Fighters' Retirement Fund. A schedule of investments held under the master trust agreement at September 30, 2002 is available for inspection at the offices of the District of Columbia Retirement Board, Suite 300, 1400 L Street, N.W., Washington, D. C. 20005.

**DISTRICT OF COLUMBIA  
TEACHERS' RETIREMENT FUND  
SCHEDULE OF FIVE PERCENT REPORTABLE SERIES OF TRANSACTIONS  
YEAR ENDED SEPTEMBER 30, 2002  
(Unaudited)**

Each transaction with State Street Bank and Trust Company as disclosed in this schedule represents a "reportable transaction" as that term is defined by D.C. Code § 1-903.06(b)(3), (2001 Ed.).

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AS-OF DATE: 09/30/02

DC RETIREMENT BOARD -COMPOSITE  
ERISA 5500 SCHEDULE OF 5% REPORTABLE SERIES OF TRANSACTIONS

THIS IS A COMPOSITE REPORT FOR:

GT01	D.C. RETIREMENT BOARD
GT10	D.C. RETIREMENT BOARD
GT24	D.C. RETIREMENT BOARD
GT30	D.C. RETIREMENT BOARD
GT44	DC RETIREMENT BOARD
GT49	D.C. RETIREMENT BOARD
GT54	D.C. RETIREMENT BOARD
GT69	THE DISTRICT RETIREMENT SYS
GT70	D.C. RETIREMENT BOARD
GT71	D.C. RETIREMENT BOARD
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GT73	DC RETIREMENT BOARD
GT74	D.C. RETIREMENT BOARD
GT76	D.C. RETIREMENT BOARD

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DC RETIREMENT BOARD -COMPOSITE  
ERISA 5500 SCHEDULE OF 5% REPORTABLE SERIES OF TRANSACTIONS  
FROM DATE: 10/01/01 TO DATE: 09/30/02  
BEGINNING NET ASSET VALUE: 1,878,558,772.72  
5% OF ASSET VALUE: 93,927,938.64

ASSET ID	SECURITY DESCRIPTION	RATE	MAT DATE	5500 GAIN/LOSS	TOTAL #	TOTAL COST/PROCEEDS
# PURCHASES	PURCHASE COST	# SALES	SALE PROCEEDS			

COMMON AND PREFERRED

COMMON AND PREFERRED TOTALS

0	0.00	0	0.00	0.00	0	0.00
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DC RETIREMENT BOARD - COMPOSITE  
ERISA 5500 SCHEDULE OF 5% REPORTABLE SERIES OF TRANSACTIONS  
FROM DATE: 10/01/01 TO DATE: 09/30/02  
BEGINNING NET ASSET VALUE: 1,878,558,772.72  
5% OF ASSET VALUE: 93,927,938.64

ASSET ID # PURCHASES	SECURITY DESCRIPTION PURCHASE COST	RATE	MAT DATE SALE PROCEEDS	5500 GAIN/LOSS	TOTAL #	TOTAL COST/PROCEEDS
FIXED INCOME						
01F060451 7	FNMA TBA MAY 15 SINGLE FAN 244,841,523.45	6.000	12/01/2099 245,437,851.57	596,328.12	14	490,279,375.02
01F060469 3	FNMA TBA JUN 15 SINGLE FAN 99,806,562.50	6.000	12/31/2099 100,968,007.82	1,161,445.32	6	200,774,570.32
01F060477 3	FNMA TBA JUL 15 SINGLE FAN 100,610,312.50	6.000	12/31/2099 101,453,476.53	843,164.03	6	202,063,789.03
01F060485 4	FNMA TBA AUG 15 SINGLE FAN 126,316,312.50	6.000	12/31/2099 127,310,148.44	993,835.94	8	253,626,460.94
01F060493 9	FNMA TBA SEP 15 SINGLE FAN 289,975,483.13	6.000	12/31/2099 291,163,007.81	1,187,554.68	18	581,138,460.94
01F062555 3	FNMA TBA MAY 30 SINGLE FAN 49,336,059.38	6.500	12/31/2099 49,855,246.88	519,187.50	7	99,191,306.26
01F062671 5	FNMA TBA JUL 30 SINGLE FAN 47,043,062.51	6.500	12/01/2099 47,427,203.13	384,140.62	10	94,470,265.64
01N0606A9 4	GNMA TBA OCT 30 SINGLE FAN 73,957,568.75	6.000	12/15/2028 57,008,012.51	54,105.32	7	130,965,581.26
01N0606B7 7	GNMA TBA NOV 30 SINGLE FAN 123,435,340.63	6.000	12/15/2099 115,001,711.74	1,223,714.86	13	238,437,052.37
01N0606C5 6	GNMA TBA DEC 30 SINGLE FAN 118,561,800.00	6.000	12/15/2099 116,288,326.57	-2,273,473.43	12	234,850,126.57
01N0606I9 10	GNMA TBA JAN 30 SINGLE FAN 146,520,037.49	6.000	12/15/2099 147,332,725.00	812,687.51	20	293,852,762.49
01N0606J7 6	GNMA TBA FEB 30 SINGLE FAN 95,136,104.69	6.000	12/31/2099 95,456,656.25	320,551.56	12	190,592,760.94

DC RETIREMENT BOARD - COMPOSITE  
ERISA 5500 SCHEDULE OF 5% REPORTABLE SERIES OF TRANSACTIONS  
FROM DATE: 10/01/01 TO DATE: 09/30/02  
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5% OF ASSET VALUE: 93,927,938.64

ASSET ID # PURCHASES	SECURITY DESCRIPTION PURCHASE COST	# SALES	RATE	MAT DATE SALE PROCEEDS	5500 GAIN/LOSS	TOTAL #	TOTAL COST/PROCEEDS
01N060635 4	GNMA I TBA MAR 30 SINGLE FAM 118,760,150.00	4	6.000	12/31/2099 117,721,799.62	-1,038,350.38	8	236,481,949.62
01N060643 3	GNMA I TBA APR 30 SINGLE FAM 97,551,631.25	3	6.000	12/31/2099 98,372,863.68	821,232.43	6	195,924,494.93
01N060650 3	GNMA I TBA MAY 30 SINGLE FAM 100,389,506.25	4	6.000	12/31/2099 100,962,236.72	572,730.47	7	201,351,742.97
01N060692 4	GNMA I TBA SEP 30 SINGLE FAM 72,933,712.50	4	6.000	12/15/2099 74,265,854.69	1,332,142.19	8	147,199,567.19
01N062698 4	GNMA I TBA SEP 30 SINGLE FAM 56,994,867.19	4	6.500	12/31/2099 57,256,679.70	261,812.51	8	114,251,546.89
3134A35H5 8	FEDERAL HOME LN HTG CORP 227,926,678.20	10	6.875	09/15/2010 227,916,532.22	-10,145.98	18	455,843,210.42
3134A4CX0 3	FEDERAL HOME LN HTG CORP 84,342,864.90	3	5.250	01/15/2006 84,812,450.00	469,585.10	6	169,155,314.90
3134A46K4 2	FEDERAL HOME LN HTG CORP 53,888,818.75	3	5.500	07/15/2006 53,103,622.44	-785,196.31	5	106,992,441.19
4539801I7 6	GERMANY (FEDERAL REPUBLIC OF 71,547,266.61	5	5.000	02/17/2006 60,510,860.69	1,224,152.53	11	132,058,127.30
861123985 992	STATE STREET BANK + TRUST CO 1,127,769,354.26	597	1.000	12/31/2030 951,952,716.41	0.00	1589	2,079,722,070.67
8611249K3 65	STATE STREET BANK + TRUST CO 95,231,177.58	27	1.000	12/31/2030 124,918,599.69	0.00	92	220,149,777.27
86199EA9 73	STATE STREET ST TR 50,088,538.88	47	1.000	12/31/2030 225,546,528.37	83,646,831.31	120	275,635,067.25
912810DP0 3	UNITED STATES TREAS BDS 67,920,821.04	6	11.250	02/15/2015 60,145,265.62	-642,318.51	9	128,066,086.66

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DC RETIREMENT BOARD -COMPOSITE  
ERISA 5500 SCHEDULE OF 5% REPORTABLE SERIES OF TRANSACTIONS  
FROM DATE: 10/01/01 TO DATE: 09/30/02  
BEGINNING NET ASSET VALUE: 1,878,558,772.72  
5% OF ASSET VALUE: 93,927,938.64

ASSET ID # PURCHASES	SECURITY DESCRIPTION PURCHASE COST	# SALES	RATE	NAT DATE SALE PROCEEDS	5500 GAIN/LOSS	TOTAL #	TOTAL COST/PROCEEDS
912810DY1 1	UNITED STATES TREAS BDS 60,894,203.13	6	8.750	05/15/2017 56,500,697.04	-4,393,506.09	7	117,394,900.17
912827Y55 4	UNITED STATES TREAS NTS 87,505,976.38	3	7.000	07/15/2006 86,865,877.69	-640,098.69	7	174,371,854.07
9128273E0 4	UNITED STATES TREAS NTS 47,781,867.20	3	6.125	08/15/2007 49,530,156.25	1,748,289.05	7	97,312,023.45
9128274Y5 10	UNITED STATES TREAS NTS 46,895,422.68	8	3.875	01/15/2009 52,751,348.78	82,782.08	18	99,646,771.43
9128277B2 18	UNITED STATES TREAS NTS 66,207,463.29	24	5.000	08/15/2011 55,026,083.42	-146,247.83	42	121,233,546.71
9128277K2 2	UNITED STATES TREAS NTS 49,724,609.38	2	3.000	01/31/2004 49,910,521.50	-11,718.75	4	99,635,130.88
<b>FIXED INCOME TOTALS:</b>							
1276	4,099,895,066.97	829		4,082,773,068.78	88,315,217.16	2105	8,182,668,135.75

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DC RETIREMENT BOARD -COMPOSITE  
 ERISA 5500 SCHEDULE OF 5% REPORTABLE SERIES OF TRANSACTIONS  
 FROM DATE: 10/01/01 TO DATE: 09/30/02  
 BEGINNING NET ASSET VALUE: 1,878,558,772.72  
 5% OF ASSET VALUE: 93,927,938.64

ASSET ID # PURCHASES	SECURITY DESCRIPTION PURCHASE COST	RATE	MAT DATE SALE PROCEEDS	5500 GAIN/LOSS	TOTAL #	TOTAL COST/PROCEEDS
<b>SHORT TERM</b>						
298981002 1	EURO TIME DEPOSIT (USD) 74,600,000.00	1.250	01/22/2002 74,600,000.00	0.00	2	149,200,000.00
525180006 2	LEHMAN BROTHERS REPO 83,700,000.00	1.830	09/04/2002 83,700,000.00	0.00	3	167,400,000.00
<b>SHORT TERM TOTALS</b>						
3	158,300,000.00		158,300,000.00	0.00	5	315,600,000.00



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DC RETIREMENT BOARD -COMPOSITE  
 ERISA 5500 SCHEDULE OF 5% REPORTABLE SERIES OF TRANSACTIONS  
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ASSET ID	SECURITY DESCRIPTION	RATE	NAT DATE	5500 GAIN/LOSS	TOTAL #	TOTAL COST/PROCEEDS
# PURCHASES	PURCHASE COST	# SALES	SALE PROCEEDS			
<b>COMMON AND PREFERRED</b>						
0	0.00	0	0.00	0.00	0	0.00
<b>FIXED INCOME</b>						
1276	4,099,895,066.97	829	4,082,773,068.78	88,315,217.16	2105	8,182,668,135.75
<b>SHORT TERM</b>						
3	158,300,000.00	2	158,300,000.00	0.00	5	316,600,000.00
<b>REPORTABLE TRANSACTION TOTALS</b>						
1279	4,258,195,066.97	831	4,241,073,068.78	88,315,217.16	2110	8,499,268,135.75
<b>NON-REPORTABLE TRANSACTION TOTALS</b>						
5437	3,409,713,638.58	3942	3,110,315,959.32	98,554,559.69	9379	6,520,029,597.90

RUN DATE: 10/16/02

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DC RETIREMENT BOARD -COMPOSITE  
ERISA 5500 SCHEDULE OF 5X REPORTABLE SINGLE TRANSACTIONS

PAGE: 1  
AS-OF DATE: 09/30/02

THIS IS A COMPOSITE REPORT FOR:

GT01	D.C. RETIREMENT BOARD
GT10	D.C. RETIREMENT BOARD
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GT76	D.C. RETIREMENT BOARD

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ASSET ID	SECURITY DESCRIPTION	RATE	MAT DATE	COST/PROCEEDS	5500 GAIN/LOSS
BROKER	PURCHASE PRICE	SALE PRICE		5500 COST	
				EXPENSES	

COMMON AND PREFERRED TOTALS .....

	0.00	0.00	0.00
0.00	0.00	0.00	0.00

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DC RETIREMENT BOARD - COMPOSITE  
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ASSET ID BROKER	SECURITY DESCRIPTION PURCHASE PRICE	RATE SALE PRICE	MAT DATE	EXPENSES	5500 COST	COST/PROCEEDS	5500 GAIN/LOSS
FIXED INCOME							
01F060451 BONY COUNT	TBA MAY 15 SINGLE FAN 100.87	6.000	12/01/2099	0.00	99,858,515.63	99,858,515.63	0.00
01F060451 BONY COUNT	TBA MAY 15 SINGLE FAN 100.86	6.000	12/01/2099	0.00	99,750,250.29	99,858,515.63	108,265.34
FIXED INCOME TOTALS				0.00	199,608,765.92	199,717,031.26	108,265.34

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DC RETIREMENT BOARD -COMPOSITE  
ERISA 5500 SCHEDULE OF 5% REPORTABLE SINGLE TRANSACTIONS  
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ASSET ID	SECURITY DESCRIPTION	RATE	MAT DATE	EXPENSES	5500 COST	COST/PROCEEDS	5500 GAIN/LOSS
BROKER	PURCHASE PRICE	SALE PRICE					

SHORT TERM

SHORT TERM TOTALS

0.00	0.00	0.00	0.00
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DC RETIREMENT BOARD - COMPOSITE  
 ERSIA 5500 SCHEDULE OF 5% REPORTABLE SINGLE TRANSACTIONS  
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ASSET ID	SECURITY DESCRIPTION	RATE	MAT DATE	EXPENSES	5500 COST	COST/PROCEEDS	5500 GAIN/LOSS
BROKER	PURCHASE PRICE	SALE PRICE					
COMMON AND PREFERRED							
				0.00	0.00	0.00	0.00
FIXED INCOME							
				0.00	199,608,765.92	199,717,031.26	108,265.34
SHORT TERM							
				0.00	0.00	0.00	0.00
REPORTABLE TRANSACTION TOTALS							
				0.00	199,608,765.92	199,717,031.26	108,265.34

RUN DATE: 10/16/02

# District of Columbia Police Officers and Fire Fighters' Retirement Fund



Financial Statements and Schedules  
(with Independent Auditor's Report Thereon)  
Years Ended September 30, 2002 and 2001

**DISTRICT OF COLUMBIA  
POLICE OFFICERS AND FIRE FIGHTERS'  
RETIREMENT FUND**

**FINANCIAL STATEMENTS AND SCHEDULES  
YEARS ENDED SEPTEMBER 30, 2002 AND 2001**

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**THOMPSON, COBB, BAZILIO & ASSOCIATES, PC**  
***Certified Public Accountants and Management, Systems, and Financial Consultants***

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■ Main Office:  
1101 15th Street, N.W.  
Suite 400  
Washington, DC 20005  
(202) 737-3300  
(202) 737-2684 Fax

□ Regional Office:  
100 Pearl Street  
14th Floor  
Hartford, CT 06103  
(860) 249-7246  
(860) 275-6504 Fax

□ Regional Office:  
21250 Hawthorne Boulevard  
Suite 500  
Torrance, CA 90503  
(310) 792-7001  
(310) 792-7004 Fax

**Independent Auditors' Report**

Board of Trustees

District of Columbia Police Officers and Fire Fighters' Retirement Fund:

We have audited the accompanying statements of net assets of the District of Columbia Police Officers and Fire Fighters' Retirement Fund (the Fund), a pension trust fund of the Government of the District of Columbia (the District), as of September 30, 2002 and 2001, and the related statements of changes in net assets for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in note 1, these financial statements only present the Fund and do not purport to, and do not, present fairly the financial position of the Government of the District of Columbia as of September 30, 2002, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the District of Columbia Police Officers and Fire Fighters' Retirement Fund as of September 30, 2002 and 2001, and the changes in its net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, the Fund adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and*

*Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, as of and for the year ended September 30, 2002.

The information on schedules 1 and 2 and the management's discussion and analysis are not a required part of the financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The information on schedules 3 through 5 is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion thereon.

Washington, D.C.  
December 31, 2002

*Thompson, Cobb, Bazilio & Associates, P.C.*

## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

(Amounts expressed in thousands)

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This discussion and analysis provides an overview of the financial activities of the District of Columbia Police Officers and Fire Fighters' Retirement Fund (the "Fund") as of and for the fiscal year ended September 30, 2002. This discussion and analysis should be read in conjunction with the statements, notes, and supplementary information.

The Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, was effective for the Fund's fiscal year 2002 financial statements. Statement No. 34 requires this Management's Discussion and Analysis.

The District of Columbia Retirement Board (the "Board") is an independent agency of the District of Columbia government. The Board is responsible for managing the assets of the Fund and of the District of Columbia Teachers' Retirement Fund. As authorized by DC Code, the Board commingles the assets of the two Funds for investment purposes. The Board proportionately allocates the investment activity and the administrative expenses of the Board between the two Retirement Funds. Other agencies of the District of Columbia government administer pension benefits, and the related administrative expenses are borne by those agencies.

### FINANCIAL HIGHLIGHTS

The financial highlights are:

- Net Assets Held in Trust for Pension Benefits as of September 30, 2002 were \$1,083,580.
- Net Assets Held in Trust for Pension Benefits decreased during fiscal year 2002 by \$10,241.
- The Net Investment Loss for fiscal year 2002 was \$99,564.
- The District of Columbia government contributed \$74,600 to the Fund for fiscal year 2002, which satisfied its statutory obligation.
- The Fund's share of administrative expenditures for fiscal year 2002 was \$1,445.

### OVERVIEW OF THE FINANCIAL STATEMENTS AND SCHEDULES

This discussion and analysis is an introduction to the basic financial statements and schedules. The basic financial statements include two statements, notes, and supplementary information.

***Statements of Net Assets*** – present the assets, liabilities, and net assets held in trust for pension benefits as of the end of the current and prior fiscal year.

**Statements of Changes in Net Assets** – presents the additions to and deductions from the net assets during the current and prior fiscal years. The statements present the major sources of additions and uses of deductions. Over time, the net increase or decrease in net assets may serve as a useful indicator of whether the financial position of the Fund as a whole is improving or deteriorating.

**Notes to Financial Statements** – presents various disclosures to augment the two statements. The notes present information about the creation and administration of the Fund, significant accounting policies, and investments.

**Supplementary Information** – presents additional information about employer contributions, actuarial assumptions, additions, and deductions for the last 10 fiscal years, and investments.

## FINANCIAL ANALYSIS

The Fund had Net Assets Held in Trust for Pension Benefits as of September 30, 2002 of \$1,083,580, which is a decrease of \$10,241 from the end of the prior fiscal year.

### Net Assets

A summary of the Net Assets Held in Trust for Pension Benefits is below.

	<u>2002</u>	<u>2001</u>	<u>Increase (Decrease)</u>	<u>Percent</u>
Investments, net of accrued interest receivable and liabilities	\$1,085,672	\$1,095,782	\$ (10,110)	(0.92)%
Contributions receivable	1,166	982	184	18.74%
Due from (to) District	(358)	(943)	585	(62.04)%
Due (to) Federal Government	<u>(2,900)</u>	<u>(2,000)</u>	<u>(900)</u>	45.00%
Net Assets	<u>\$1,083,580</u>	<u>\$1,093,821</u>	<u>\$ (10,241)</u>	(0.94)%

### Changes in Net Assets

The Net assets decreased during fiscal year 2002 by \$10,241. The decrease primarily resulted from equity markets. A summary of the change is below.

	<u>2002</u>	<u>2001</u>	<u>Increase (Decrease)</u>	<u>Percent</u>
Employee contributions	\$ 19,390	\$ 16,832	\$ 2,558	15.20%
Employer contributions	74,600	49,000	25,600	52.24%
Net investment income (loss)	<u>(99,564)</u>	<u>(147,023)</u>	<u>47,459</u>	(32.28)%
Total Additions	<u>(5,574)</u>	<u>(81,191)</u>	<u>75,617</u>	(93.13)%
Benefit payments	3,222	2,838	384	13.53%
Administrative expenses	<u>1,445</u>	<u>1,161</u>	<u>284</u>	24.46%
Total Deductions	<u>4,667</u>	<u>3,999</u>	<u>668</u>	16.70%
Net change in net assets	\$ <u>(10,241)</u>	\$ <u>(85,190)</u>	\$ <u>74,949</u>	(87.98)%

The District of Columbia government made the required employer contribution in fiscal year 2002 based on the funding formula contained in DC Code.

The Fund pays for pension benefits earned since June 30, 1997. As a result, the pension benefit expense will be increasing. The Fund also pays for increases in pension benefits that result from changes in the provisions of the plan.

As authorized by law, the District of Columbia Retirement Board has pooled the assets of the Fund and the Teachers' Retirement Fund (the "Total Fund") for investment purposes.

The fair value of the Total Fund decreased slightly (2.8%) from fiscal year end 2001 due primarily to a downturn in world equity markets. The rate of return earned on Total Fund investments for fiscal year end 2002 of negative 7.9% on a market value basis was greater than last fiscal year's return. An overweight to U.S. fixed income helped the Total Fund to withstand some of the turmoil in the U.S. and international equity markets.

The downturn in equity markets that began in 2000 continued, as world stock markets declined even further during fiscal year 2002. The Russell 3000 Index, a broad-based U.S. equity index, declined 18.8% during the period. The S&P 500 Index lost 20.5%. The MSCI EAFE Index, representing non-U.S. developed equity markets, was lower by 15.5% during the period.

The Total Fund had approximately 38% of its total value invested in domestic equity securities, which earned a return of negative 16.9% for the fiscal year. The current bear market is proving to be one of the worst in the history of U.S. equity markets. The S&P 500 Index declined 43.7% (cumulative) from April 2000 through September 2002.

Approximately 15% of the Total Fund was invested in international equity securities, whose return essentially matched the performance return of the MSCI EAFE Index for the fiscal year. A surge in government bond prices helped drive the Lehman Aggregate Index to a 4.6% gain the last fiscal quarter of 2002, its best quarterly performance since 1995. For the one year period ended September 30, 2002, the performance of the Total Fund assets invested in fixed income securities (almost 42%) lagged the return of the Lehman Aggregate Index, returning 7.4% versus the benchmark return of 8.6%.

#### **ADDITIONAL INFORMATION**

These financial statements present the finances of the Fund in accordance with generally accepted accounting principles. Questions about these financial statements or other inquiries should be addressed to the Executive Director, District of Columbia Retirement Board, 1400 L Street NW, Suite 300, Washington, DC 20005.

**DISTRICT OF COLUMBIA  
POLICE OFFICERS AND FIRE FIGHTERS' RETIREMENT FUND  
STATEMENTS OF NET ASSETS  
SEPTEMBER 30, 2002 and 2001  
(\$000s)**

	<u><b>2002</b></u>	<u><b>2001</b></u>
<b>ASSETS</b>		
Equity in pooled investments under Master Trust Agreement, at fair value (Note 4)	\$1,160,807	\$1,159,327
Accrued interest receivable	5,751	5,034
Benefit contributions receivable	<u>1,166</u>	<u>982</u>
Total assets	<u><b>1,167,724</b></u>	<u><b>1,165,343</b></u>
<b>LIABILITIES</b>		
Liabilities under securities lending agreements	80,162	67,777
Accounts payable - investment expenses	724	802
Due to Federal Government	2,900	2,000
Due to District of Columbia Government	<u>358</u>	<u>943</u>
Total liabilities	<u><b>84,144</b></u>	<u><b>71,522</b></u>
<b>Net Assets Held in Trust for Pension Benefits</b>	<u><b>\$1,083,580</b></u>	<u><b>\$1,093,821</b></u>

The accompanying notes are an integral part of these financial statements.

**DISTRICT OF COLUMBIA**  
**POLICE OFFICERS AND FIRE FIGHTERS' RETIREMENT FUND**  
**STATEMENTS OF CHANGES IN NET ASSETS**  
**YEARS ENDED SEPTEMBER 30, 2002 and 2001**  
**(\$000s)**

	<u>2002</u>	<u>2001</u>
<b>Additions</b>		
Contributions:		
District government	\$ 74,600	\$ 49,000
District employees	<u>19,390</u>	<u>16,832</u>
Total contributions	<u>93,990</u>	<u>65,832</u>
Investment income:		
Net depreciation in fair value of investments	(129,669)	(182,944)
Interest and dividends	<u>35,226</u>	<u>44,214</u>
	(94,443)	(138,730)
Less:		
Investment expenses	2,812	2,858
Interest expense on securities lending transactions	<u>2,309</u>	<u>5,435</u>
Net investment loss	<u>(99,564)</u>	<u>(147,023)</u>
Total additions	<u>(5,574)</u>	<u>(81,191)</u>
<b>Deductions</b>		
Benefit payments	3,222	2,838
Administrative expenses	<u>1,445</u>	<u>1,161</u>
Total deductions	<u>4,667</u>	<u>3,999</u>
<b>Net Decrease in Net Assets</b>	(10,241)	(85,190)
<b>Net Assets Held in Trust for Pension Benefits</b>		
Beginning of year	<u>1,093,821</u>	<u>1,179,011</u>
End of year	<u>\$1,083,580</u>	<u>\$1,093,821</u>

The accompanying notes are an integral part of these financial statements.



**DISTRICT OF COLUMBIA**  
**POLICE OFFICERS AND FIRE FIGHTERS' RETIREMENT FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2002 AND 2001**  
**(\$000s)**

**NOTE 1: ORGANIZATION**

The District of Columbia Police Officers and Fire Fighters' Retirement Fund (the Fund) was established in 1979 by the District of Columbia Retirement Reform Act (the Reform Act, Pub. L. 96-122, D. C. Code § 1-701 et seq.). The Fund provides assets to pay pension benefits to police officers and fire fighters in the District. The Reform Act also established the District of Columbia Retirement Board (the Board) and the District of Columbia Teachers' Retirement Fund (the Teachers' Fund).

The National Capital Revitalization and Self-Government Improvement Act of 1997 (the Revitalization Act, Title XI of the Balanced Budget Act of 1997, Pub. L. 105-33) transferred the District of Columbia Judges' Retirement Fund to the United States Federal Government (the Federal Government). The Revitalization Act also transferred significant assets and liabilities of the Fund and the Teachers' Retirement Fund (collectively, the District Retirement Funds) to the Federal Government.

Concurrently, the District of Columbia Retirement Protection Act of 1997 (the Retirement Protection Act, Subtitle A of the Revitalization Act) transferred to the Federal Government the liability for retirement benefits for employee service credit earned prior to July 1, 1997, by participants of the District Retirement Funds. The assets transferred to the Federal Government and the assets of the Fund managed by the Retirement Board are components of the same single employer defined benefit pension plan.

As required by the Retirement Protection Act, the Council of the District of Columbia (the Council) enacted the Police Officers, Fire Fighters, and Teachers Retirement Benefit Replacement Plan Act of 1998 (September 18, 1998, D.C. Law 12-152, § 101, 45 DCR 4045; D.C. Code § 1-901.01 et seq.). This Act (the Replacement Act) established the pension benefits for employee service earned after June 30, 1997, and provides for full funding of the benefits on an actuarially sound basis.

The Board is an independent agency of the District of Columbia Government (the District) that is responsible for managing the assets of the District Retirement Funds. Although the assets of the funds are commingled for investment purposes, each Fund's assets may only be used for the payment of benefits to the participants of that Fund and certain administrative expenses.

The Fund is included in the District's Comprehensive Annual Financial Report as a pension trust fund.

**DISTRICT OF COLUMBIA**  
**POLICE OFFICERS AND FIRE FIGHTERS' RETIREMENT FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2002 AND 2001**  
**(\$000s)**

**NOTE 2: FUND ADMINISTRATION AND DESCRIPTION**

***District of Columbia Retirement Board***

The Board consists of 12 trustees, three appointed by the Mayor of the District, three appointed by the Council of the District, and six elected by the active and retired participants. Included are one active and one retired representative each from the police officers, firefighters, and teachers. The six employee representatives are elected by their respective groups of active and retired employees. In addition, the District's Chief Financial Officer serves as a non-voting, ex-officio trustee.

Since its inception, the Board has operated under a committee system which provides a two-tiered process for fiduciary review and analysis. In this manner, the Board, consistent with its fiduciary duties, thoroughly and comprehensively reviews all issues brought before it. The Board has six standing committees, including Benefits, Emerging Enterprise, Fiduciary, Investment, Legislative, and Operations. To implement its policies, the Board retains the executive director and other staff to be responsible for the day-to-day management of the District Retirement Funds.

***Other Administration***

The District of Columbia Police Officers and Fire Fighters' Retirement Relief Board makes findings of fact, conclusions of law, and decisions regarding retirement, survivor benefits, extent of disability, and annual medical and income reviews. The Board of Police and Fire Surgeons determines medical eligibility for disability retirement. The Office of Pay and Retirement Services (OPRS) within the D. C. Office of Financial Operations and Systems, Office of the Chief Financial Officer, receives retirement orders for retirement benefit calculations for all active plan members found eligible for retirement and carries out the day-to-day processing of retirement benefits. OPRS also processes employee requests for refunds of contributions.

***Eligibility***

A participant becomes a member when he/she starts work as a police officer or fire fighter in the District. Police cadets are not eligible to join the Fund.

**DISTRICT OF COLUMBIA**  
**POLICE OFFICERS AND FIRE FIGHTERS' RETIREMENT FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2002 AND 2001**  
**(\$000s)**

**NOTE 2: FUND ADMINISTRATION AND DESCRIPTION (Continued)**

Retirement and disability benefit provisions for District of Columbia police officers and fire fighters are established by the "Policemen and Firemen's Retirement and Disability Act," codified at D.C. Code § 5-701 et seq. (2001 Ed.).

***Members Hired Before February 15, 1980***

Members are eligible for optional retirement with full benefits at any age with 20 years of departmental service, or after age 55 with five years of departmental service. The annual basic retirement benefit equals 2.5% of average pay, which is defined as the highest consecutive 12 months of departmental service, multiplied by departmental service up to 20 years, plus 3% of average pay multiplied by departmental service over 20 years, plus 2.5% of average pay multiplied by credited service, but not more than 80% of the average pay. Members terminated after five years of police or fire service are entitled to a deferred pension beginning at age 55. Benefits are also provided to certain survivors of active, retired, or terminated vested members. Retired members receive the per centum increase granted to active participants in the schedule rate to which the member would be entitled if in active service.

Members with permanent, service-related disabilities who have less than 26 years and eight months of service receive two-thirds (2/3) of average pay. Members with 26 years and eight months to 28 years of service receive 2.5% of average pay multiplied by service. Members with more than 28 years of service receive 70% of average pay.

Members with permanent, nonservice related disabilities who have 5 to 20 years of service receive 40% of average pay, 20 to 35 years of service receive 2% of average pay multiplied by service and more than 35 years of service receive 70% of average pay.

***Members Hired Between February 15, 1980 and November 10, 1996***

Members are eligible for optional retirement with full benefits at age 50 with at least 25 years of departmental service, or after 55 with five years of departmental service. The annual basic retirement benefit equals 2.5% of average pay, which is defined as the highest consecutive 36 months of departmental service, multiplied by credited service up to 25 years, plus 3% of average pay multiplied by departmental service over 25 years plus, 2.5% of average pay multiplied by credited service, but not more